

Scientex Berhad (SCI MK)

Inline

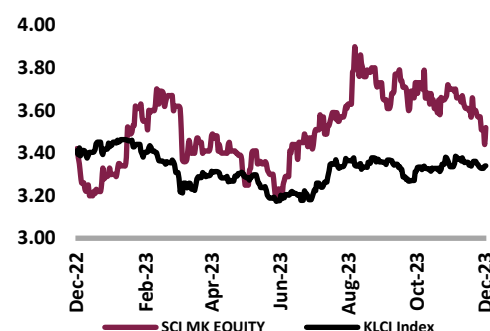
BUY

Share Price RM3.60 +15.3%
Target Price RM4.15

A Commendable Start for FY24

- Maintain BUY (TP:4.15).** Scientex's 1QFY24 core PATAMI of RM136.5mn met both our and market expectations, accounting for 25.5% of the full-year forecast, respectively. Revenue/PBT inched up by 3.3%/26.9% QoQ, thanks to impressive performances from both the Packaging and Property segments. Packaging revenue and operating profit (OP) surged 4.9% QoQ and 107.9% QoQ, respectively. Similarly, the Property segment saw a QoQ increase of 1.0% and 10.7% for revenue and OP, respectively. There are no changes to our FY24-25F earnings assumption. We believe that despite the global economic slowdown and declining demand for Scientex's packaging, the company's overall performance will be offset by the consistent and enduring demand for its affordable housing. Maintain a **BUY** call on Scientex, with unchanged **TP of RM4.15**, based on SOP valuation. Overall, we like Scientex due to its: i) organic expansion and M&A activities for potential long-term growth, ii) strong position as an affordable housing developer, and iii) high commitment to sustainability and the environment in their plastic product offerings.
- Key Highlight.** The management shared that Packaging segment utilisation rate stood at 53% during this quarter, thanks to higher product demand. Meanwhile, Property segment saw new launches during 1QFY24 with 930 units totalling RM275mn. We understand that take up rate for the new launches is 40% while unbilled sales stood at RM1.6bn.
- Forecast.** Unchanged.
- Outlook.** The Group shared that, despite facing external challenges, the Packaging segment prioritizes operational efficiency by focusing on cost reduction and waste reduction. Simultaneously, the Property segment remains optimistic about continued robust demand for its affordable properties. Overall, we expect sustainable earnings for Scientex, driven by strategic expansion, steady consumer demand, favourable contracts, and growth in the packaging segment. We also foresee resilient demand for their affordable houses, supported by upcoming launches in various states across Peninsular Malaysia, as well as efforts to acquire competitively priced land in strategic locations to address rising operational costs.

Price Chart (RM)



Share Performance (%)	1m	3m	12m
Absolute	(2.4)	(1.4)	10.7
vs FBM KLCI	(2.7)	(1.8)	9.4

Stock Data

ESG Rating	Good
Mkt Cap (RM mn)	5,584.6
Adjusted beta	0.7
Free float (%)	59.4
Issued shares (m)	1551.3
52w H/L (RM)	3.97 / 3.16
3m avg daily volume	342,853

Major Shareholders (%)

Scientex Holdings Sdn Bhd	21.0
Scientex Infinity Sdn Bhd	10.5
Scientex Leasing Sdn Bhd	9.1

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Table 1: Quarterly figures

Scientex Berhad FYE 31 July (RM'mn)	Quarterly			Change (%)		Cumulative		YTD	BIMB	
	1QFY23	4QFY23	1QFY24	QoQ Chg	YoYChg	FY22	FY23	YTD Chg	BIMB	3M/F
Revenue	1029.9	1071.5	1106.5	3.3%	7.4%	1029.9	1106.5	7.4%	4560.	24.3%
EBITDA	173.7	210.2	219.4	4.4%	26.3%	173.7	219.4	26.3%	854.0	25.7%
Pretax profit	136.7	145.6	184.7	26.9%	35.1%	136.7	184.7	35.1%	720.6	25.6%
Taxation	-23.3	-37.2	-42.3	13.7%	81.5%	-23.3	-42.3	81.5%	-173.0	24.5%
Core Net Profit	112.7	135.3	136.5	0.9%	21.1%	112.7	136.5	21.1%	534.5	25.5%
Core EPS (sen)	7.3	8.7	8.8	0.9%	21.1%	7.3	8.8	21.1%	34.5	25.5%
				chg (ppts)				ppts		
EBITDA margin (%)	16.9%	19.6%	19.8%	0.2	3.0	16.9%	19.8%	3.0	24.0%	
PBT margin (%)	13.3%	13.6%	16.7%	3.1	3.4	13.3%	16.7%	3.4	18.7%	
Core Net profit margin (%)	10.9%	12.6%	12.3%	-0.3	1.4	10.9%	12.3%	1.4	15.9%	
Effective tax rate (%)	17.0%	25.5%	22.9%	-2.7	5.9	17.0%	22.9%	5.9	142.9	

Source: BIMB Securities, Company

Table 2: Segmental breakdown

Scientex Berhad FYE 31 July (RM'mn)	Quarterly		Change (%)		Cumulative		YTD	
	1QFY23	4QFY23	1QFY24	QoQ Chg	YoYChg	FY22	FY23	YTD Chg
Revenue	1029.8	1071.5	1106.6	3.3%	7.4%	1029.8	1106.6	7.4%
Packaging	716.0	619.7	650.4	4.9%	-9.2%	716.0	650.4	-9.2%
Property	313.9	451.8	456.1	1.0%	45.3%	313.9	456.1	45.3%
Operating Profit	143.3	148.5	189.5	27.6%	32.2%	143.3	189.5	32.2%
Packaging	57.0	24.3	50.4	107.9%	-11.5%	57.0	50.4	-11.5%
Property	86.5	124.7	138.0	10.7%	59.6%	86.5	138.0	59.6%
				chg (ppts)				chg (ppts)
Operating Margin (%)	13.9%	13.9%	17.1%	3.3%	3.2%	13.9%	17.1%	3.2%
Packaging (%)	8.0%	3.9%	7.8%	3.8%	-0.2%	8.0%	7.8%	-0.2%
Property (%)	27.5%	27.6%	30.3%	2.7%	2.7%	27.5%	30.3%	2.7%

Source: BIMB Securities, Company

Table 3: Sum-of-Parts (SOP) Valuation

			Segment Value (RM'mn)	Comment
Packaging	FY25F Operating Profit (RM'mn)	Target PER (x)	3,339.5	15% premium to peer's weighted average PER
	299.4	11.2		
Property	RNAV	4,995	3,746.5	25% discount to Property RNAV
	(-) discount	(1,249)		
	Sub-total		7,086.0	
	Net debts		(670.4)	
	Total Equity value		6,415.6	
	Share cap (mn)		1,551.0	
	Target Price (RM)		4.15	
	Implied FY24 PER		12.0	

Source: Bloomberg, BIMB Securities

Table 4: Earnings forecast

FYE July (RM'mn)	FY21	FY22	FY23A	FY24F	FY25F
Turnover	3,656.0	3,985.3	4,076.9	4,560.0	4,882.6
EBITDA	710.6	675.5	797.6	854.0	923.8
Pretax Profit	601.0	548.3	568.7	720.6	781.6
Core Net Profit	443.4	414.4	422.3	534.5	579.8
Consensus NP				535.6	582.9
Core EPS (sen)	28.6	26.7	27.2	34.5	37.4
PER (x)	12.9	13.8	13.5	10.7	9.8
BVPS (sen)	3.6	2.1	2.3	2.6	2.8
P/B (x)	1.0	1.7	1.6	1.4	1.3
DPS (sen)	9.0	9.0	10.0	10.0	11.0
D. Yield (%)	2.2	2.2	2.4	2.4	2.7
		Key Ratios (%)			
ROE	15.3	13.3	12.5	14.2	13.9
EBITDA margin	19.4	16.9	19.6	18.7	18.9
Pretax margin	16.4	13.8	13.9	15.8	16.0
Core PATAMI margin	12.1	10.4	10.4	11.7	11.9

Source: Bloomberg, BIMB Securities

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BIMB Securities uses the following rating system:

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BUY	Total return (price appreciation plus dividend yield) is expected to exceed 10% in the next 12 months.
TRADING BUY	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain.
HOLD	Share price may fall within the range of +/- 10% over the next 12 months
TAKE PROFIT	Target price has been attained. Fundamentals remain intact. Look to accumulate at lower levels.
TRADING SELL	Share price may fall by more than 15% in the next 3 months.
SELL	Share price may fall by more than 10% over the next 12 months.
NOT RATED	Stock is not within regular research coverage.

SECTOR RECOMMENDATION

OVERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months
NEUTRAL	The Industry as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months
UNDERWEIGHT	The Industry as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months

Applicability of ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.

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Printed and published by**BIMB SECURITIES SB (290163-X)**

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